<u>REMARKS</u>

I.   INTRODUCTION

Claims 1 - 3, 9, 15 and 19 have been canceled. Claims 4, 10 and 16 have been amended. Thus, claims 4 - 8, 10 - 14 and 16 - 18 are pending in the present application. No new matter has been added. In view of the above amendments and the following remarks, it is respectfully submitted that all of the presently pending claims are allowable.

II.   THE 35 U.S.C. § 112 REJECTIONS SHOULD BE WITHDRAWN

Claims 4 and 10 stand rejected under 35 U.S.C. § 112, second paragraph, as indefinite. (See 4/5/07 Office Action, ¶ 3). Specifically, the Examiner states that these claims lack antecedent basis for the recitation "the current transaction data." In view of the amendments to claims 4 and 10, it is respectfully requested that this rejection be withdrawn.

III.   THE 35 U.S.C. § 103(a) REJECTIONS SHOULD BE WITHDRAWN

Claims 4 - 19 stand rejected under 35 U.S.C. § 103(a) as unpatentable over U.S. Patent Application No. 2002/0120559 to O'mara et al. ("O'mara") in view of U.S. Patent No. 6,658,393 to Basch et al. ("Basch"). (See 4/5/07 Office Action, ¶ 7).

O'Mara describes a method for identifying merchant risk by performing tiered processing which includes a first level process identifying a first subset of merchants for review, a second level process collecting additional information for the first subset of merchants, and a third level process using the first subset of merchants and the additional information so as to identify a second subset of merchants requiring further review. (See O'Mara, Abstract).

6

Basch describes financial risk prediction techniques that employ scoreable transactions as input data to assess the level of financial risk of a particular account and/or account holder. (See Basch, col. 5, lines 6 - 19). A financial risk predication system (FRPS) assesses the level of financial risk pertaining to an account and/or account holder based on scoreable transactions, which are scored against predictive models within the FRPS to generate financial risk socres and/or financial risk alerts. (Id. at col. 6, lines 56 - 63). Transaction data includes historical and current authorizations from a transaction authorization system. (Id. at col. 8, lines 13 - 15).

Claim 4 recites "combining a limit with a value by means of a Neuro Fuzzy Inference Machine in the prediction model for generating an output value that depicts the extent of the risk that the current transaction is fraudulent" and "wherein the former transactions are buffered in a ring buffer." According to the specification of the present application, a Neuro Fuzzy Inference Machine ("NFI") generates an output value relating to the extent of the risk that a current transaction. In order to do this, the NFI receives data for a cardholder file and fraud rules and the output value is determined based on a combination of expert rules and an analysis of former transactions relating to the means of payment. In addition, a ring buffer storing a brief history of former transactions enables real time treatment of authorization requests, polling and analysis of past transactions.

In contrast, O'mara makes no mention or suggestion of an NFI as recited in claim 4. In particular, O'mara's tiered method utilizes incremental rule-based steps to narrow down a list of merchants for which review may be necessary. (See O'mara, ¶¶ [0048] - [0061]). The rules used by O'mara are not in any way equivalent to the expert (i.e., fuzzy) rules utilized by the NFI of the present invention. O'mara's rules are based on formulas that have predetermined criteria. For example, at level one, a rule can be whether a number of chargebacks exceeds a predetermined percentage X. (Id. at ¶ [0049]). These rules are one-time analyses that generate predetermined results that are not analyzed over time as taught by the NFI of the present invention, but rather the results are simply processed by further rules that are mutually exclusive of previous rules. Thus, it is respectfully submitted that O'Mara does not teach an NFI as recited in claim 4.

7

In addition, it is respectfully submitted that neither O'Mara nor Basch, either alone or in combination, disclose or suggest a ring buffer. As discussed above, the ring buffer enables real time analysis by the NFI. O'mara relates to analysis of transactions that have already occurred. Thus, a ring buffer would not be useful, nor does O'mara ever suggest that a ring buffer should be included. Basch teaches that the FRPS periodically receives historical and current transaction data. (See Basch, col. 8, lines 30 - 38). No mention or suggestion is made regarding a ring buffer. Rather, the FRPS relies only on available inputs in order to create predictive models. (Id. at col. 9, lines 20 - 35). Basch also states that a scoreable transaction is scored against previously created predictive models. (Id.). Thus, it respectfully submitted that Basch also does not teach or suggest real time analysis using a ring buffer.

Based on the reasons discussed above, it is respectfully submitted that neither O'Mara nor Basch, either alone or in combination, disclose or suggest "combining a limit with a value by means of a Neuro Fuzzy Inference Machine in the prediction model for generating an output value that depicts the extent of the risk that the current transaction is fraudulent" and "wherein the former transactions are buffered in a ring buffer," as recited in claim 4. Because claims 5 - 8 depend from, and, therefore include the limitations of claim 4, it is respectfully submitted that these claims are also allowable.

Claim 10 recites "a Neuro Fuzzy Inference Machine for combining a limit with a value and for generating an output value that depicts the extent of the risk of the current transaction being fraudulent, the Neuro Fuzzy Inference Machine for combining the limit with the value and for generating the output value being in the prediction model module" and "wherein the former transactions are buffered in a ring buffer." Thus, it is respectfully submitted that claim 10 and all claims depending therefrom (claims 11 - 14) are allowable for the same reasons as claim 4.

Claim 16 recites "wherein the prediction model combines, using a Neuro Fuzzy Inference Machine, a limit, which is based on the expert rules and which is specific for the type of

8

transaction, with a value, which is based on the time series analysis of the former transactions relating to the same means of payment and which is specific for the current transaction, in order to generate the output value" and "wherein former transactions are buffered in a ring buffer." Thus, it is respectfully submitted that claim 16 and all claims depending therefrom (claims 17 and 18) are allowable for the same reasons as claim 4.

9

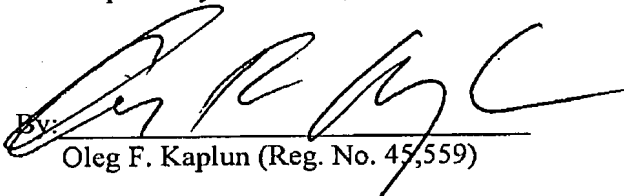## CONCLUSION

In light of the foregoing, Applicants respectfully submit that all of the now pending claims are in condition for allowance. All issues raised by the Examiner having been addressed, and an early and favorable action on the merits is earnestly solicited.

Respectfully submitted,

Dated: July 5, 2007

By: Oleg F. Kaplun (Reg. No. 45,559)

Fay Kaplun & Marcin, LLP
150 Broadway, Suite 702
New York, New York 10038
Tel: (212) 212-619-6000
Fax: (212) 619-0276 / (212) 208-6819

10